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84-1170

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

20TH CENTURY WEAR, INC.,

Petitioner,

— VS. —

SANMARK-STARDUST INC. and
DOMINO INDUSTRIES, INC.,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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QUESTIONS PRESENTED

1. Where a court of appeals, absent record evidence to the contrary, holds that a duly registered trademark was descriptive instead of suggestive at the time of its registration, does the court of appeals thereby render the trademark's statutory presumption of validity ineffectual and thereby undermine the federal system of trademark protection?

2. Where a court of appeals holds that a trademark used in connection with ladies' sleepwear is descriptive instead of suggestive, even though the trademark requires imagination, thought and perception to reach a conclusion as to the nature of the goods, does the court of appeals err as a matter of law?

3. Where a court of appeals reverses the holding of a district court that a duly registered trademark was suggestive without finding that the district court's holding was clearly erroneous, does the court of appeals err as a matter of law?

4. Where a court of appeals reverses the prior determination of the United States Patent and Trademark Office (and a district court) and finds that a trademark is descriptive, instead of suggestive, does the court of appeals err in not requiring the party challenging the trademark to present evidence showing that such mark was descriptive based on the meaning of the trademark in the mind of the consuming public at the time of the infringement?

5. Is there a conflict in the law among the circuits, where certain courts have held that a mark describing the effect that a product or service is supposed to produce is descriptive, while other courts have held that such a mark is suggestive?

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
TABLE OF CONTENTS	ii
TABLE OF CITATIONS	iii
OPINIONS BELOW	2
JURISDICTION	2
STATUTES INVOLVED	2
STATEMENT OF THE CASE	2
REASONS FOR GRANTING THE WRIT	5
CONCLUSION	15
APPENDIX	
APPENDIX A – OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT	A-1
APPENDIX B – DECISION OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT	A-24
APPENDIX C – DECISION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK	A-26
APPENDIX D – TRADEMARK REGISTRATION	A-35

TABLE OF CITATIONS

Cases Cited:

Aluminim Fabricating Co. of Pittsburgh v. Season-All Window Corp., 259 F.2d 314 (2d Cir. 1958) 6, 11, 12

American Ass'n For The Advancement of Science v. Hearst Corp., 498 F.Supp. 244 (D.D.C. 1980) 5, 6

American Home Prods. Corp. v. Johnson Chemical Co., 589 F.2d 103 (2d Cir. 1978) 6, 7

Big O Tire Dealers v. Goodyear Tire & Rubber Co., 561 F.2d 1365 (10th Cir. 1977) 11, 13

Blisscraft of Hollywood v. United Plastics Co., 294 F.2d 694 (2d. Cir. 1961) 9, 11

Cartier Inc. v. Three Sheaves Co., 465 F. Supp. 123 (S.D.N.Y. 1979) 6

Dreyfus Fund, Inc. v. Royal Bank of Canada, 525 F.Supp. 1108 (S.D.N.Y. 1981) 7

Engineered Mechanical Services v. Applied Mechanical Technology, 584 F.Supp. 1149 (D. M.D. Lo. 1984) 8, 11, 12

Esso Standard Oil Co. v. Sun Oil Co., 229 F.2d 37 (D.C.C. 1955) 10

Falcon Rice Mill, Inc. v. Community Rice Mill, Inc., 725 F.2d 336 (5th Cir. 1984) 9

Feather Combs, Inc. v. Solo Production Corp., 306 F.2d 251 (2d Cir. 1962) 10

Hurricane Fence Co. v. A-1 Hurrican Fence Co., 468 F.Supp. 975 (S.D. Ala. 1979) 6

In re Johanna Farms, Inc., 222 U.S.P.Q. 607 (Tr. Trial and App. Bd. 1984) 9

Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844 (1982) 9

Levitt Corp. v. Levitt, 593 F.2d 463 (2d Cir. 1975) 10

Maidenform, Inc. v. Munsingwear, Inc., 195 U.S.P.Q. 297 (S.D.N.Y. 1977) 7

McGregor-Doniger Inc. v. Drizzle Inc., 599 F.2d 1126 (2d Cir. 1979) 6

Stix Prods., Inc. v. United Merchants & Mfrs., Inc., 295 F.Supp. 479 (S.D.N.Y. 1968) 7

Statutes:

15 U.S.C. §1115(a) 2

Fed. Rule of Civ. Proc. 52(a) 9

Other Authority Cited:

R. Callmann, Unfair Competition Trademarks and Monopolies, Vol. 3, ¶18.05 (4th ed. 1983) . 13, 14, 15

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Petitioner 20th Century Wear, Inc. ("20th Century") respectfully prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit entered in this proceeding on October 18, 1984. The judgment reversed the judgment of the United States District Court for the Southern District of New York entered on January 11, 1984, granting judgment for monetary damages and a permanent injunction in favor of 20th Century in connection with the sale of infringing sleepwear by respondents Sanmark-Stardust Inc. ("Sanmark") and Domino Industries, Inc. ("Domino").

Opinions Below

The opinion of the court of appeals is reported at 747 F.2d 81 (2d Cir. 1984). It appears in the appendix hereto ("App.") at App. 1. The opinion of the district court is unreported and appears at App. 26.

Jurisdiction

The judgment of the court of appeals was entered on October 18, 1984. This Court's jurisdiction is invoked under 28 U.S.C. §1254(1).

Statutes Involved

Section 33 of the Trademark Act (the Lanham Act), provides, in pertinent part:

> §1115. Registration as evidence of right to exclusive use; defenses
>
> (a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this Act §15 USCS §§ 1051 et seq.] and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

15 U.S.C. §1115(a).

STATEMENT OF THE CASE

This petition brings to this Court for review an action commenced by petitioner 20th Century against respondents Sanmark and Domino (hereinafter collectively referred to as the

"Sanmark defendants").[1]

The Underlying Facts

Petitioner 20th Century, a New York corporation with its principal place of business at 149 Madison Avenue, New York, New York, is a wholesaler engaged in the business of importing and selling ladies' pajamas and nightgowns to retail merchants, department stores, discount houses and other merchandisers for resale to the general public.

Beginning in August, 1977, 20th Century began using the trademark "Cozy Warm ENERGY-SAVERS" in interstate commerce in connection with the promotion and sale of ladies' sleepwear, which use has continued to date (hereinafter, the "Trademark"). On March 17, 1981, 20th Century obtained registration of the mark from the United States Patent and Trademark Office (the "USPTO"). (A copy of the 20th Century's Trademark registration is contained in the Appendix at App. 35.) In connection with its sleepwear products, 20th Century also uses a distinctive trade dress containing, *inter alia*, various package insert tags.

Respondent Sanmark is a New York corporation located next door to 20th Century at 145 Madison Avenue, New York, New York. Sanmark is a large wholesaler of various clothing goods with ladies' nightgowns and pajamas constituting only a small part of its business.

Respondent Domino acted as Sanmark's selling arm in connection with the infringing goods which are the subject of this proceeding.

From at least July 1, 1981 through October 31, 1981, Sanmark sold ladies' pajamas and nightgowns bearing the mark "Cozy Warm CONSERVES-ENERGY" to many of the same customers to whom 20th Century sold its ladies' sleepwear. Sanmark also utilized a form of trade dress remarkably similar to 20th Century's. 20th Century suffered a decline in sales.

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[1]All facts herein are set forth in the opinions contained in the appendix. Specific citations in this statement of the case are provided only for quoted portions of those opinions.

The Findings of the District Court

The action was tried in the District Court to determine whether a permanent injunction should issue against the Sanmark defendants to enjoin them from engaging in acts of trademark infringement and unfair competition and whether 20th Century was entitled to an award of the Sanmark defendants' profits.

In its opinion dated January 11, 1984, the District Court found that (i) 20th Century's trademark "Cozy Warm ENERGY-SAVERS" was suggestive, App. 30; (ii) the Sanmark defendants were "willful infringers" having deliberately copied petitioner's trademark and trade dress, App. 32; (iii) Sanmark's "mark and packaging in connection with its promotion and sale of its Sheila Anne pajamas and nightgowns are confusingly similar to plaintiff's trade dress and mark," App. 28; and (iv) "the similarity in the trademark and trade dress of the two products is likely to produce consumer confusion especially in the mass merchandising market in which the products are sold," App. 30-31. The District Court also found that the conclusion "is inescapable that Sanmark 'adopted [its] mark and trade dress for no other reason than to obtain a free ride on the good reputation of [its] successful competitor.' " App. 31.

Based on these and other findings, the District Court awarded 20th Century the profits of Sanmark and the commissions of Domino received as a consequence of their sales of the infringing goods.

The Second Circuit's Reversal and Remand

Respondents appealed to the Second Circuit and, in a decision dated October 18, 1984, the Court of Appeals for the Second Circuit reversed the District Court's finding that the Trademark was suggestive. Instead, the Second Circuit determined that the Trademark was descriptive. The case has been remanded to the District Court for further hearing on the issues of the secondary meaning of the Trademark and the entitlement of 20th Century to relief under New York's common law of unfair competition.

REASONS FOR GRANTING THE WRIT

The presumption of validity afforded a trademark duly registered with the USPTO represents more than a mere procedural principle of law. In the proceeding at bar, 20th Century, a relatively small company, began using its Trademark in 1977, applied for registration in 1978 and received a trademark registration on March 17, 1981.

At the time 20th Century registered its Trademark, the Trademark was accepted by the USPTO as suggestive. *American Ass'n For The Advancement of Science v. Hearst Corp.*, 498 F.Supp. 244, 254 (D.D.C. 1980). There was no challenge by the Sanmark defendants to 20th Century's registration of its Trademark.

20th Century and the consuming public were entitled to rely on the Trademark and the protections provided a trademark registrant and the consuming public by the federal trademark system. Certainly, if after obtaining registration of a trademark, a company shall then be required to undertake national advertising campaigns and to expend millions of dollars promoting its trademark to insure that its trademark is not only suggestive but also acquires an irrefutable and demonstrable secondary meaning — an admittedly difficult (and costly) burden — then, in effect, the benefits of the federal trademark system will not be available to small businesses and their consuming public.

A registered trademark's presumption of validity is especially important since, as even the Second Circuit in this proceeding (App. 9-10) and other courts have recognized, the line between a suggestive and descriptive mark is difficult to articulate, let alone apply, in legal terms. This distinction can, however, have an enormous impact on the rights of a trademark registrant vis-a-vis those who would deliberately infringe on duly registered trademarks. In sum, the issue before this Court goes to the very heart of the effectiveness of the federal system of trademark registrations. At stake on this petition for a writ of certiorari is the entitlement of smaller companies and the consumers of their goods to the protections provided by the Lanham Act.

A. The Trademark "Cozy Warm ENERGY-SAVERS" Is Presumed Valid.

The registration of a trademark creates a strong presumption of validity. As the Second Circuit held in *American Home Prods. Corp. v. Johnson Chemical Co.*, 589 F.2d 103, 106 (2d Cir. 1978):

> The fact that the Patent Office was willing to register ROACH MOTEL on the Principal Register creates a *strong presumption* of the validity of the mark, [citations omitted] ... and rebuts the suggestion that the mark is "weak" on the ground that it is descriptive since one of the grounds for refusal of registration is that a mark is "merely descriptive." 15 U.S.C. §1052(e). (Emphasis added.)

See also Aluminum Fabricating Co. of Pittsburgh v. Season-All Window Corp., 259 F.2d 314, 316-317 (2d Cir. 1958); *American Ass'n For The Advancement of Science v. Hearst Corp.*, *supra*, 498 F.Supp. at 256; *Hurricane Fence Co. v. A-1 Hurricane Fence Co.*, 468 F.Supp. 975, 986 (S.D. Ala. 1979).

The fact that 20th Century's Trademark was registered "affords a rebuttable presumption that the mark is suggestive or arbitrary or fanciful rather than merely descriptive." *Cartier Inc. v. Three Sheaves Co.*, 465 F.Supp. 123, 128 (S.D.N.Y. 1979); *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1132 (2d Cir. 1979). Accordingly, as discussed, *infra*, Point D, the burden was on respondents to demonstrate that as of 1981 the Trademark was descriptive in the minds of the consuming public. Respondents introduced no such evidence, and hence 20th Century's Trademark was entitled to receive the full weight of the strong presumption of validity.

B. 20th Century's Trademark Is Suggestive.

The District Court appropriately held that 20th Century's Trademark is suggestive:

> Here plaintiff's Cozy Warm Energy Savers trademark does not bring women's pajamas and nightgowns to mind, and it requires "imaginative thought and perception," *Stix Products, Inc. v. United Merchants and Manufacturers, Inc., supra*, at 488, to relate the mark to women's sleepwear. Accordingly, plaintiff's suggestive trademark is entitled to protection without regard to the question of secondary meaning. *See Abercrombie & Fitch Co. v. Hunting World, Inc., supra*, 537 F.2d at 11. App. at A-30.

A suggestive mark is a word or a phrase which "requires imagination, thought and perception to reach a conclusion as to the nature of the goods." *Stix Prods., Inc. v. United Merchants & Mfrs., Inc.*, 295 F.Supp. 479, 488 (S.D.N.Y. 1968) ["Contact" in connection with self-adhesive decorative plastic held to be suggestive]. "A lion [plaintiff's trademark] suggests power, control, leadership and similar qualities, but does not immediately evoke thoughts of money management." *Dreyfus Fund, Inc. v. Royal Bank of Canada*, 525 F.Supp. 1108, 1112 (S.D.N.Y. 1981) [Lion symbol held suggestive]. *Accord Maidenform, Inc. v. Munsingwear, Inc.*, 195 U.S.P.Q. 297, 300 (S.D.N.Y. 1977) [Phrase "Underneath It All" in connection with ladies' undergarments held to be suggestive]; *American Home Prods. Corp. v. Johnson Chemical Co., supra*, 589 F.2d at 106 ["Roach Motel" in connection with insect traps held to be at least suggestive if "not altogether an arbitrary mark"].

Since the words "Cozy Warm ENERGY-SAVERS" do not in and of themselves cause a person to think of ladies' pajamas or nightgowns, the Trademark is suggestive. The words require the consumer to exercise imagination in order to draw a conclusion as to the actual nature of the product. Certainly, it cannot be seriously argued that 20th Century's Trademark describes a ladies' pajama or nightgown or even a particular type of pajama or nightgown. If one were to ask ordinary consumers what goods the contested Trademark describes, it is respectfully submitted that one would receive a wide variety of answers and

probably none would mention pajamas.[2] Accordingly, 20th Century's Trademark is entitled to the full protection of the Lanham Act.

The Second Circuit has acknowledged that "[h]ad the suit been brought before the energy crisis, we might well have concluded that the mark was suggestive." App. 11. Instead, the Second Circuit mistakenly argues that because there was an energy crisis in 1973, the Trademark "Cozy Warm ENERGY-SAVERS", which "in 1973 or 1975" would have been suggestive, had by 1981 become descriptive. If anything, the unlikely connection between issues of world oil supply and demand and ladies' sleepwear underscores the suggestive nature of the Trademark.

On reflection, the arbitrary nature of the Second Circuit's approach is very disturbing. Indeed, the Second Circuit in its opinion even referred to the "shifting" line between suggestive and descriptive marks, App. 11. Ladies' flannel sleepwear, and the need for same, was not invented during or as a result of the 1973 energy crisis. Indeed, the utility of such sleepwear was established long before the energy crisis.

The reference to three advertisements by the Court (App. 13-14), one of which is undated, the other two of which appeared in 1977, and which use certain of the words of 20th Century's Trademark, do not constitute proof that in the mind of the consuming public in 1981, the Trademark "Cozy Warm ENERGY-SAVERS" was descriptive of ladies' pajamas and nightgowns. Not one of the advertisements used the Trademark or any confusingly similar combination of words to identify a product. Those instances where advertisements for ladies' sleepwear have used one or two of the words of the Trademark are irrelevant. It is not 20th Century Wear's claim that it has a monopoly on the use of the words "cozy" or "warm". In fact, the Trademark registration disclaims these individual words. As stated above,

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[2] *See Engineered Mechanical Services v. Applied Mechanical Technology*, 584 F.Supp. 1149, 1156-1157 (D. M.D. La. 1984), for examples of other terms that have been held to be suggestive rather than descriptive.

none of the proffered advertisements used the specific combination of the words in the Trademark or any confusingly similar combination of words to identify sleepwear.

The Second Circuit's approach is also disturbing for the utter subjectivity of its analysis. No record facts of any import are cited that actually demonstrate the relationship between the energy crisis in 1973 and 20th Century's Trademark in 1981. For that matter, there is an utter lack of any evidentiary linkage, cited by the Second Circuit, between the energy crisis and the pre- and post-energy crisis meaning of the words "Cozy Warm ENERGY-SAVERS" in the mind of the consuming public.

C. The District Court's Finding Was Not Clearly Erroneous.

The issue of whether a trademark is descriptive or suggestive is an issue of fact. *See e.g., Blisscraft of Hollywood v. United Plastics Co.*, 294 F.2d 694, 698 (2d Cir. 1961), where the Court held in that action "that the finding of descriptiveness was clearly erroneous." *In the case of In re Johanna Farms, Inc.*, 222 U.S.P.Q. 607, 609 (Tr. Trial and App. Bd. 1984), the Trademark Trial and Appeal Board stated that:

> "Whether the relevant purchasing public regard the term as a common descriptive name is a question of fact to be resolved on the evidence." Dan Robbins & Associates, Inc. v. Questor Corp., 202 UPPQ 100, 105 (CCPA 1979); See, generally, L. McCARTHY, TRADEMARKS AND UNFAIR COMPETITION §12:2A (1973).

Accordingly, in reviewing the determination of the District Court that the Trademark was suggestive, the Second Circuit was bound by the "clearly erroneous" standard. The record facts at bar simply do not permit a "definite and firm conviction" that the District Court's finding that the Trademark is suggestive is "clearly erroneous." Fed. R. Civ. Pro. 52(a); *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 855 (1982); *Falcon Rice Mill, Inc. v. Community Rice Mill, Inc.*,

725 F.2d 336, 344 (5th Cir. 1984); *Levitt Corp. v. Levitt*, 593 F.2d 463, 467 n. 7 (2d Cir. 1979). *See also Feather Combs, Inc. v. Solo Production Corp.*, 306 F.2d 251, 255 (2d Cir. 1962); and *Esso Standard Oil Co. v. Sun Oil Co.*, 229 F.2d 37, 39 (D.C.C. 1955):

> A finding of fact by the District Court, sitting without a jury, may be set aside on appeal only if it is clearly erroneous. Fed. Rules Civ. Proc. Rule 52(a), 28 U.S.C.A. This broad rule applies to patent and trademark cases under Rev.Stat. §4915. Besser v. Ooms, 1946, 81 U.S.App.D.C. 7, 154 F.2d 17; Standard Oil Development Co. v. Marzall, 1950, 86 U.S.APP.D.C. 210, 181 F.2d. 280. *The findings are not to be overturned lightly.* Larsen v. Marzall, 1952, 90 U.S.App.D.C. 260, 195 F.2d 200. (Emphasis added.)

The Second Circuit has acknowledged that courts have great difficulty in defining the difference between suggestive and descriptive marks:

> This case involves the distinction between suggestive and descriptive terms, a distinction, Judge Friendly noted, "that the courts have had great difficulty in defining." *Abercrombie & Fitch*, 537 F.2d at 10.[3] App. 9-10.

Indeed, some courts have broken away from the strict categorization of trademarks into the four categories of generic, descriptive, suggestive or arbitrary.

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[3]The Second Circuit also noted Cardozo's reference to the difficulty of such a determination, App. 11.

> Making such a determination — pigeonholing or labeling — has always been a slippery business, as Cardozo reminded us so many times. *See, e.g., Henneford v. Silas Mason Co.*, 300 U.S. 577, 586 (1937); *Techt v. Hughes*, 229 N.Y. 222, 246, 128 N.E. 185, 193 (1920); Cardozo, *Mr. Justice Holmes*, 44 Harv. L. Rev. 682, 689 (1931); *reprinted in Selected Writings of Benjamin N. Cardozo* 83 (1947).

> These categories, like the tones in a spectrum, tend to blur at the edges and merge together. Labels are more advisory than definitial, more like guidelines than pigeon holds. Not surprisingly, they are somewhat difficult to articulate and to apply. (Citations omitted.)

Engineered Mechanical Services, Inc. v. Applied Mechanical Technology, Inc., supra, 584 F.Supp. at 1155.

It is respectfully submitted, based on the Second Circuit's own admitted difficulty in distinguishing between suggestive and descriptive marks — and its obvious, if not conceded, ambivalence in respect of the Trademark in issue — that the District Court's determination that the Trademark was suggestive was anything but *clearly* erroneous. To permit any other holding is to put virtually every registrant of a federal trademark at the arbitrary mercy of appellate courts. Surely, this was not the intent of the Congress in enacting the Lanham Act. *See Aluminum Fabrications Co. of Pittsburgh v. Season-All Window Corp., supra*, 314 F.2d at 316.

D. There Was Inadequate Evidence At Bar Produced By Respondents To Invalidate The Trademark.

In its opinion, the Second Circuit acknowledged that the test for whether a mark is suggestive or descriptive is,

> ("[c]onsumer reaction to the mark, *at the time in question*, . . ."); Restatement (Second) of Torts § 721, at 85 (Tent. Draft No. 8 1963) ("The test [for descriptiveness] is the meaning attached to the designation by prospective purchasers. . . ."). App. at A-12. (Emphasis added.)

See also Blisscraft of Hollywood v. United Plastics Co., 294 F.2d 694, 699 (2d Cir. 1961): "[T]he critical question is what the expression meant to the purchasing public]"; *Big O Tire Dealers v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1369 (10th Cir. 1977): "In testing the validity of common law trademarks

the critical question is what the designation meant to the purchasing public."

The Court went on to describe how a pre- and post-energy crisis shift had taken place in the mind of the consuming public which had transformed the Trademark from being suggestive to descriptive, App. 10. Nowhere, however, did the Court cite any evidence at bar which demonstrated that as of 1981 the Trademark in the mind of the consuming public had become descriptive instead of suggestive. Clearly, the Second Circuit's broad brush conclusion that the energy crisis of 1973 had worked a permanent change of consciousness in the mind of the 1981 consumer vis-a-vis 20th Century's Trademark required record evidence, not merely speculative or subjective reasoning. No such probative evidence was present in the record at bar. The mere fact that other sellers of clothing and non-clothing products have used the words "cozy", "warm", "energy" or "savers" in relation to their products does not in any way demonstrate that as a result of the 1973 energy crisis or otherwise, the phrase "Cozy Warm ENERGY-SAVERS" described ladies' pajamas and nightgowns in the mind of the 1981 consuming public.

Furthermore, the burden was on respondents — as trademark infringers — to produce that evidence. *Aluminum Fabricating Co. of Pittsburgh v. Season-All Window Corp.*, 259 F.2d 314, 316 (2d Cir. 1958):

> We are of the opinion that this means not only that the burden of going forward is upon the contestant of the registration but that there is a strong presumption of validity so that the party claiming invalidity has the burden of proof and in order to prevail must put something more into the scales than the registrant.

See also Engineered Mechanical Services, Inc. v. Applied Mechanical Technology, Inc., supra, 584 F.Supp. at 1154:

> [R]egistration of the mark constitutes prima facia evidence of the plaintiff's exclusive right to use the mark in commerce, 15 U.S.C.§1115(a).... In effect

> registration shifts the burden of proof from the plaintiff to the defendant who must introduce sufficient evidence to rebut the presumption of plaintiff's right to exclusive use of the registered mark. American Foods, Inc. v. Golden Flake, Inc., 312 F.2d 619, 136 USPQ 289 (5th Cir. 1963); Anti-Monopoly, Inc. v. General Mills Fun Group, 684 F.2d 1316, 216 USPQ 588 (9th Cir. 1982), cert. denied, 1033 S.Ct. 1234 (1983) Anti-Monopoly II.

In *Big O Tire Dealers v. Goodyear Tire & Rubber Co., supra*, 561 F.2d at 1369, the Court, in rejecting defendant's arguments, stressed that defendant Goodyear had presented no evidence that tire purchasers considered "Big Foot" to be descriptive of tires.

Direct and demonstrative evidence, *e.g.*, consumer surveys, is especially important on the issue of the meaning of the Trademark in the mind of the consumer in 1981 because it is precisely on this issue that courts, including the Second Circuit, recognize great difficulty in defining the "shifting" (App. 11) line between suggestive and descriptive.

The respondents failed to produce any evidence that in the mind of the consuming public the Trademark "Cozy Warm ENERGY-SAVERS" was descriptive of ladies' sleepwear in 1981. Accordingly, the Second Circuit erred as a matter of law in finding that the Trademark was descriptive.

E. There Is A Conflict Among The Circuits As To Whether A Mark Describing The Effect Produced By A Product Is Descriptive Or Suggestive.

In its decision, the Second Circuit cited Rudolf Callmann's treatise, *The Law Of Unfair Competition Trademarks And Monopolies*, Vol. 3, §18.05, at 27 (4th ed. 1983), to distinguish three categories of marks that describe a product's purpose or utility. These include:

> (1) marks describing the problem or condition that the trademarked product is designed to remedy or otherwise deal with; (2) marks that describe the use to which the product or service is put; and (3) marks that describe the effect that the product or service is supposed to produce after it is used. App. 11.

The Second Circuit referred to "Callmann's" view that courts,

> generally hold that marks in the first two subcategories are descriptive, but that some courts have improperly tended to hold that marks in the third subcategory are not descriptive of goods and services. *Id.* at 17, 27-29. App. 11.

With respect to 20th Century's Trademark the Court admitted that the Trademark "defies Callmann's subcategorization." App. 11. At the same time, the Court stated that, in respect of Callmann's subcategorizations, the Trademark "does describe the quality of warming that wearing the flannel pajamas or nightwear involves, and hence the effect of such wearing." App. 11. The Court also stated that the Trademark describes the problem or condition of "energy waste" with which the "product deals, however indirectly." App. 11.

Preliminarily, it should be noted that the fourth edition of the Callmann treatise was newly edited by Louis Altman and differs markedly on this issue of descriptive marks from the third edition as edited by Seymour Kleinman.

The fourth edition of Callmann's treatise cites cases among the various circuits that have held that a mark which describes the hoped-for result of a product is descriptive of a product or service, as well as cases holding that such a mark is suggestive, for the very reason that the mark refers to the result rather than the product or service. For example, "Continuous Progress" has been held as descriptive for educational materials and "Hour after Hour", for deodorant; on the other hand, "Clothes Fresh" was held to be not merely descriptive of clothing and shoe spray deodorant, and "Color Care" was held not descriptive of a laundry bleach which will not harm the dyes in colored fabrics. *See*

Callmann, *The Law of Unfair Competition Trademarks And Monopolies*, Vol. 3, §18.05, at 27-28 and 42-43 (4th ed. 1983).

It is respectfully submitted that the Trademark "Cozy Warm ENERGY-SAVERS" does not describe the problem of "energy waste" in respect of ladies' sleepwear. Furthermore, the identification of ladies' sleepwear by its so-called warming effect is far from ingrained in the consumer consciousness so as to dispense with the necessity for thought, imagination or perception to connect the Trademark at bar with 20th Century's product. Nevertheless, as even alluded to by the Second Circuit in its decision, there is clearly a conflict among the circuits in respect of whether trademarks which describe an effect of a product are descriptive or suggestive. This issue is ripe for determination by this Court in view of the split among the circuits.

CONCLUSION

For each of the foregoing reasons, petitioner requests that this petition for a writ of certiorari be granted.

Dated: New York, New York
January 15, 1985

Respectfully submitted,

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APPENDIX

APPENDIX A
OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Nos. 1328, 1389 — August Term, 1983

(Argued: June 8, 1984 Decided: October 18, 1984)

Docket Nos. 84-7108, 84-7112

20TH CENTURY WEAR, INC.,
Appellee-Cross-Appellant,

v.

SANMARK-STARDUST INC. and
DOMINO INDUSTRIES, INC.,
Appellants-Cross-Appellees.

Before:

OAKES, NEWMAN and WINTER, *Circuit Judges.*

Appeal from a judgment of the United States District Court for the Southern District of New York, Robert L. Carter, *Judge*, awarding plaintiff $252,982.52 in damages and $25,000 in attorney's fees for trademark infringement in violation of the Lanham Act, 15 U.S.C. § 1114(1). Cross appeal from the judgment of $25,000 in attorney's fees.

Reversed and remanded.

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OAKES, *Circuit Judge:*

This appeal involves a registered trademark—"Cozy Warm ENERGY-SAVERS"—in connection with the sale of flannel pajamas and nightgowns. The United States District Court for the Southern District of New York, Robert L. Carter, *Judge,* found "Cozy Warm ENERGY-SAVERS" to be a "suggestive" term entitled to trademark protection; and it subsequently found defendant liable for trademark infringement under section 32(1) of the Lanham Trade-Mark Act, 15 U.S.C. § 1114(1) (1982). In addition, the court noted that the infringer's practices also violated state unfair competition law. The judgment awarded a permanent injunction and $252,982.52 in damages (including $81,718.67 paid in commissions by the infringer to its selling agent), plus prejudgment interest at 9% from October 9, 1981, and $25,000 in attorneys' fees. We reverse and remand for further findings with respect to the protection of the trademark and to defendant's liability under New York state unfair competition law.

BACKGROUND

In the shadow of the energy crisis of 1973, the OPEC oil price increases, and the resultant impairment of the United States economy and individual standards of living, the United States government, aided by private industries, editorial opinion and numerous other sources, made a tremendous effort to impress the importance of energy saving and conservation on the American public. This campaign took many forms, from the publication of Department of Energy "tips" [1] to Department of Agriculture Energy Management Checklists.[2] There was a National Energy Plan,[3] a Federal Energy Administration —later the Department of Energy [4]—and an enormous effort at all levels of government to promote energy efficiency. Examples of the public and private interest in energy efficiency include the federal imposition of the 55-mile per hour speed limit, the introduction of smaller and lighter automobiles, and public acceptance of hundreds of other new or neglected products and measures designed to conserve electricity, home heating oil, gas, and all other forms of energy—housing insulation, heating insulation, window shades, lamp adaptors and dimmers, storm windows and doors, shower heads, caulking strips, wood stoves, fewer window openings to the north, greater use of solar energy, to mention just a few examples.

Not surprisingly, this national movement was partially focused on the use in winter of warm clothing to

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1 U.S. Dep't of Energy, Tips for Energy Savers (1979).

2 U.S. Dep't of Agriculture, Energy Management Checklist for the Home (1975).

3 National Energy Conservation Policy Act, Pub. L. No. 95-619, 92 Stat. 3206 (1978) (codified at scattered sections of 42 U.S.C.); Energy Policy and Conservation Act, Pub. L. No. 94-163, 89 Stat. 871 (1975) (codified at 42 U.S.C. §§ 6201-6422 (1982)).

4 *See* 42 U.S.C. § 7151 (1982).

permit the lowering of temperatures in homes, office buildings, factories, government buildings, and so on—as perhaps epitomized by the President's appearing on national television in his cardigan sweater. Clothing makers, as well as purveyors of household items such as sheets, blankets, comforters, blanket throws and drapes, took to advertising their products as "saving energy," "energy saving," and the like. Department stores and clothing stores did likewise in reference to, among other things, sweaters, underwear, robes, gowns, nightshirts, children's sleepers, boots and so-called body warmers or wraparounds, which doubled as comforters. For example, the "Bundle-Up" was advertised as an "all purpose energy saver . . . to keep warm," providing "superior insulation . . . and cozy warmth." The consumer was urged to "turn your thermostat down, conserve energy and still be comfortable." Numerous examples of such advertising were offered in evidence but not received by the district court. Any peruser of mail order catalogues has seen numerous advertisements like these for roughly the last ten years.

The Facts in This Case

20th Century Wear, Inc. (20th Century), is a New York corporation in the wholesale business of importing and selling women's pajamas and nightgowns to retailers, mail order and discount houses and other merchandisers. Sanmark-Stardust, Inc. (Sanmark), is a New York corporation—incidentally situated in the building next to 20th Century's—that deals in many other forms of clothing in addition to women's pajamas and nightgowns.

20th Century markets its pajamas in the customary form of a transparent plastic bag containing the garment

and various tags. Sewn onto the collar of the garment is a tag bearing the name "20th Century" in blue, and below that the phrases "guaranteed washable" in red and "100% cotton" in blue. Three hang tags accompany the product. One of them includes a picture of a woman with her hands on her hips modeling the packaged garment, a printed description of the garment, and the slogan "for the style of your life" printed in red. The second tag contains the cotton producers' well-known "Cotton Boll" logo, the phrases "A Natural Fiber" and "As Seen on the Today Show," and the 20th Century name. The third insert has a red background and white border with bold print "Cozy Warm ENERGY-SAVERS" in white with the trademark notice. The writing appears diagonally across the rectangular tag. A bold line appears under the last two letters of "ENERGY" and the first five letters of "SAVERS."

The United States Patent & Trademark Office accepted the mark "Cozy Warm ENERGY-SAVERS" for registration on March 17, 1981, for use with pajamas, nightgowns, dusters (three-quarter length cotton robes), and loungewear. It required, however, that 20th Century disclaim exclusive use of the words "cozy" and "warm" apart from the mark as registered. *See* Registration No. 1,148,448 (Int'l Class 25, 37 C.F.R. § 6.1(25) (1984)) ("No claim is made to exclusive use of 'cozy' and 'warm' apart from the mark as shown.").

Beginning in July, 1981, and continuing until October 19, 1981, Sanmark sold women's pajamas and nightgowns under the "Sheila Anne" label and used a tag bearing the words "Cozy Warm CONSERVES-ENERGY" in connection therewith. Like many other pajama wholesalers, Sanmark's products are also packaged in trans-

parent cellophane wrapping. The collar tag lists the name "Sheila Anne" in blue print lettering, and underneath, in smaller lettering, "pre-shrunk," "guaranteed machine washable," and "100% cotton," with the size indicated in red. The Sanmark transparent plastic bag also contains three hang tags. One describes the garment and depicts a woman with her hands on her hips modeling the garment.[5] The second insert, in white and blue, contains the cotton producers' logo and the phrase "Made of A Natural Fiber." The third insert has a white border and blue background with the phrase "Cozy Warm" in red under which, in white, is the phrase "CONSERVES-ENERGY" underscored with a red line. The writing appears diagonally across the rectangular tag in type that is virtually the same size, style, and format as the type used by 20th Century. Even the hyphen, which is grammatically unnecessary, simulates the distinctive type style of the hyphen in 20th Century's mark. A bold line, similar to that used by 20th Century, appears under the last three letters of "CONSERVES" and the first four letters of "ENERGY."

The district court held Sanmark liable for trademark infringement. The court began by noting that the opposing parties sell to many of the same customers, generally shops, stores, and clothing chains, and that 20th Century's sales fell off when Sanmark began selling its Sheila Anne pajamas and nightgowns. Turning to trademark law, the court stated that the registered trade-

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[5] While the pictures on the tags accompanying the pajamas of both companies had a woman with both hands on hips, the pictures accompanying the nightgowns differed—the 20th Century nightgown tag pictured a woman with one hand on one hip, while the Sanmark nightgown tag pictured a woman with both hands on hips.

mark "does not bring women's pajamas and nightgowns to mind, and requires 'imaginative [*sic*] thought and perception,' *Stix Products, Inc.* v. *United Merchants & Manufacturers, Inc.* [295 F. Supp. 479, 488 (S.D.N.Y. 1968)], to relate the mark to women's sleepwear." Accordingly, purporting to follow *Abercrombie & Fitch Co.* v. *Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976), the district court held that the mark was suggestive, not descriptive, and entitled to protection without regard to whether the mark had acquired a secondary meaning.

The court also concluded that there was a likelihood of confusion between Sanmark's trade dress and mark and those used by 20th Century. The court, by visual examination of the packaged products, found that an appreciable number of ordinary, prudent purchasers were likely to be confused or misled into believing that Sanmark's garments were 20th Century's. According to the court, Sanmark's "Cozy Warm CONSERVES-ENERGY" is confusingly similar to 20th Century's registered trademark, and "the imitative trade dress compounds the confusion." But while the court found a violation under section 32(1) of the Lanham Trade-Mark Act, 15 U.S.C. § 1114(1), it did not find a federal false designation of origin violation under section 43(a) of the Act, 15 U.S.C. § 1125(a). In the court's view, a claim of false designation of origin could not stand, because Sanmark had clearly marked its products as a Sheila Anne design. The court then stated that "while it is clear that" Sanmark and its selling agent, Domino Industries, "are guilty of unfair competition under New York law, . . . since [20th Century was given] complete relief under federal statutes, the violation of New York law adds nothing to [20th Century's] entitlement to recovery."

DISCUSSION

1. *Trademark Infringement*

Section 32(1)(a) of the Lanham Trade-Mark Act, 15 U.S.C. § 1114(1)(a), provides a federal cause of action for trademark infringement when a "colorable imitation of a registered mark . . . is likely to cause confusion." Success depends on "whether there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question." *Mushroom Makers, Inc.* v. *R. G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979). This court has repeatedly held that a finding of infringement turns on an assessment of several factors including the strength of the senior user's mark, the similarity of the marks, the similarity of the products and the trade dress, actual confusion, the junior user's good faith, and the sophistication of the buyers. *See, e.g., Spring Mills, Inc.* v. *Ultracashmere House, Ltd.*, 689 F.2d 1127, 1129 (2d Cir. 1982); *Polaroid Corp.* v. *Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961); *see also Toys 'R' Us, Inc.* v. *Canarsie Kiddie Shop, Inc.*, 559 F. Supp. 1189, 1195 (E.D.N.Y. 1983). In this case, we address the strength of the mark "Cozy Warm ENERGY-SAVERS," and remand for further findings on whether the mark has acquired secondary meaning.

As Judge Friendly's opinion in *Abercrombie & Fitch*, 537 F.2d at 9, points out, there are four different levels of trademark protection: (1) generic (not entitled to

protection even with proof of secondary meaning),[6] (2) descriptive (entitled to protection with proof of secondary meaning), (3) suggestive (entitled to protection without proof of secondary meaning), and (4) arbitrary or fanciful (enjoying "the rights accorded to suggestive terms as marks—without the need of debating whether the term is 'merely descriptive,'" *id.* at 11). The difficulty, of course, lies in determining what level of protection a particular mark deserves. This determination in turn depends upon the particular context of the mark's use, the context of its time of use, and the context of its group of users. *See Abercrombie & Fitch*, 537 F.2d at 9; *see also McGregor-Doniger, Inc.* v. *Drizzle, Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979). Making such a determination—pigeonholing or labeling—has always been a slippery business, as Cardozo reminded us so many times. *See, e.g., Henneford* v. *Silas Mason Co.*, 300 U.S. 577, 586 (1937); *Techt* v. *Hughes*, 229 N.Y. 222, 246, 128 N.E. 185, 193 (1920); Cardozo, *Mr. Justice Holmes*, 44 Harv. L. Rev. 682, 689 (1931), *reprinted in Selected Writings of Benjamin N. Cardozo* 83 (1947).

This case involves the distinction between suggestive and descriptive terms, a distinction, Judge Friendly noted, "that the courts have had great difficulty in de-

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[6] Callmann's treatise argues that there should be no distinction on the basis of secondary meaning between generic and descriptive marks: "The courts should . . . go back to singly evaluating the argument for secondary meaning on its merits in each case." 3 R. Callmann, *The Law of Unfair Competition, Trademarks and Monopolies* § 18.03, at 10 (L. Altman 4th ed. 1983). The earlier position of the courts referred to is illustrated by *Kellogg* v. *National Biscuit Co.*, 305 U.S. 111 (1938) (finding a term generic but still assessing its secondary meaning). *See also* Folsom & Teply, *Trademarked Generic Words*, 89 Yale L.J. 1323 (1980) (arguing that the substantive law concerning generic marks should be reformulated to account for economic aspects).

fining." *Abercrombie & Fitch*, 537 F.2d at 10. A useful standard, however, can be stated:

> A term is suggestive if it requires imagination, thought and perception to reach a conclusion as to the nature of goods. A term is descriptive if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods.

Stix Products, Inc. v. *United Merchants & Manufacturers, Inc.*, 295 F. Supp. 479, 488 (S.D.N.Y. 1968), *quoted in Abercrombie & Fitch*, 573 F.2d at 11.

We hold that "Cozy Warm ENERGY-SAVERS" is a descriptive term. The district court mischaracterized the mark because it failed to consider how the meaning of the words "Cozy Warm ENERGY-SAVERS" had changed over time. The court assumed that a step of the imagination is needed to connect the concept of energy saving to women's pajamas and concluded that the mark is "suggestive" rather than "descriptive." And it may be true that such a step would have been needed, say, in 1973 or 1975. But by 1981, the connection between "Cozy Warm ENERGY-SAVERS" and the warming quality of plaintiff's pajama no longer required imagination, since many people were using this kind of language to describe clothing.

As one of the leading commentators reminds us, a term can be descriptive in two ways. It can literally describe the product, or it can describe the purpose or utility of the product. Under the first branch, "if qualities, ingredients, effects or other features of the product are indicated naturally and in ordinary language, so that the consumer understands its significance without any exercise of the imagination, the words are descrip-

tive." 3 R. Callmann, *supra* note 6, § 18.05, at 17. Under the second brand, Callmann distinguishes among three subcategories of marks that describe the product's purpose or utility: (1) marks describing the problem or condition that the trademarked product is designed to remedy or otherwise deal with; (2) marks that describe the use to which the product or service is put; and (3) marks that describe the effect that the product or service is supposed to produce after it is used. *Id.* at 27. He notes that courts generally hold that marks in the first two subcategories are descriptive, but that some courts have improperly tended to hold that marks in the third subcategory are not descriptive of goods or services. *Id.* at 17, 27-29.

Had this suit been brought before the energy crisis, we might well have concluded that the mark was suggestive. But by the time of the alleged infringement, "Cozy Warm ENERGY-SAVERS" fell on the descriptive rather than the suggestive side of a shifting line and as such was not entitled to protection absent proof of secondary meaning. "Cozy Warm ENERGY-SAVERS" defies Callmann's subcategorization. It does describe the quality of warming that wearing the flannel pajamas or nightwear involves, and hence the effect of such wearing, since the use of flannel pajamas presumably permits one to turn down the heat somewhat lower at night. It also describes the problem or condition—energy waste—with which the product deals, however indirectly. Numerous clothing businesses and hundreds, if not thousands, of other businesses as a result of the energy crisis began using "energy saving" and "cozy warm" to describe or extol the virtues of their products. In the wake of this common usage, the public was so well educated to the concept of something "cozy warm" as an "energy saver"

that consumers did not have to engage in any sort of multistage reasoning process to link the term to the virtues of any number of products, including but not limited to flannel pajamas and nightgowns. *See id.* § 18.09, at 55 ("[c]onsumer reaction to the mark, at the time in question, is the test"); Restatement (Second) of Torts § 721, at 85 (Tent. Draft No. 8 1963) ("The test [for descriptiveness] is the meaning attached to the designation by prospective purchasers . . . . ").[7]

This usage is seen more readily perhaps by noting that the class of products for which 20th Century was given a registered mark[8] included dusters and loungewear,

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[7] The official version of the Restatement (Second) of Torts does not include the draft provisions concerning trademark law because "the law of Unfair Competition and Trade Regulation is no more dependent upon tort law than it is on many other general fields of law and upon broad statutory developments, particularly at the federal level." Restatement (Second) of Torts, Introductory Note to Division Nine (1979).

[8] Under section 33(a) of the Lanham Trade-Mark Act, 20th Century's registration of its mark is "prima facie evidence of [20th Century's] exclusive right to use the registered mark in commerce." 15 U.S.C. § 1115(a). But section 33(a) also provides that a defendant in an infringement action may prove "any legal or equitable defense or defect which might have been asserted if such mark had not been registered." A party can also challenge exclusivity by way of petition for cancellation under section 14 of the Lanham Act, 15 U.S.C. § 1064, "either in a separate and independent action or as a counterclaim in an infringement suit." *Keebler Co.* v. *Rovira Biscuit Corp.*, 624 F.2d 366, 373 (1st Cir. 1980). Sanmark has not petitioned for cancellation. In an infringement action, the defendant has the burden of rebutting the presumption of plaintiff's right to exclusive use of a registered mark by a preponderance of the evidence. *Dan Robbins & Assoc., Inc.* v. *Questor Corp.*, 599 F.2d 1009, 1013-14 (C.C.P.A. 1979). Sanmark has met this burden by a showing that the mark is descriptive, not suggestive.

[Footnote continued on following page]

not merely pajamas and nightgowns. Any clothing made for warmth—bathrobes, gowns, "body warmers" or the like—thus falls within the scope of the registered trademark. As we have said, makers of all kinds of warm clothing had sought to capitalize on the connection in the public's mind between wearing warm clothing and saving energy. Comforters, blankets, sheets, bathrobes and numerous other products associated with the human way of sleeping are and have been advertised as energy saving because they are "warm," "cozy," "snuggy," "trapping body heat," "thermal," "snuggle soft" and "snuggle warm," "warm as a bunny hug from top to toe," "toasty to your toes." Three advertisements illustrate our point.

THALHIMERS

The Fashion Stores

announces the opening of the 60° SHOP

Step into Thalhimers' new 60° Shop, our warm answer to this coming winter's chilly problem. With everyone planning to turn back their thermostats, we are opening a shop in our Intimate Apparel Departments filled with our warmest and coziest fashions. Our hearth-side warmers include robes, body-warming, hooded night-

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There remains a question whether section 33(a) also creates a rebuttable presumption that a descriptive mark that has been registered has secondary meaning. *See Developments in the Law—Trade-Marks and Unfair Competition*, 68 Harv. L. Rev. 814, 828 (1955). We hold, however, that in the absence of evidence that the Patent and Trademark Office registered the mark because of its secondary meaning, 15 U.S.C. § 1052(f), registration does not shift the burden of proving a lack of secondary meaning onto the defendant.

shirts, lace-trimmed granny gowns, snuggly pajamas, body-warming thermal underwear, camisoles and pant liners. Visit our new shop and pick up a Temperature Conversion Chart and a copy of Tips on Conserving Energy provided by our state and federal governments. Sketched below are only a few of the fashions to be found in our 60° Shop. Friendly, Four Seasons and High Point Westchester Mall.

Lingerie Ad-Clip Rev. (no specific citation in defendants' book of exhibits).

HARZFELD'S

ENERGY CONSERVERS, our warm flannel nightshirts. Cottons in cozy, brushed flannels that insulate you against chills in the cooler dorms and rooms ahead . . . . Kansas City Times, Sept. 8, 1977.

BBB BRANUELS

CONSERVE ENERGY at 65°

When the thermostat is turned down to 65°, these comfy robes, pajamas and gowns will chase the chills away in the cold of the night. Come into our Junior Department and find many "hot" fashions today!

Omaha World Herald, Dec. 4, 1977.

This analysis is also supported by the rationale for distinguishing between suggestive and descriptive terms and the purpose behind the protection of trademarks. Trademarks identify the source of a product and hence protect the source's good will. *See United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918); *Field Enterprises Educational Corp.* v. *Cove Industries*, 297 F.

Supp. 989, 994 (E.D.N.Y. 1969); 3 R. Callmann, *supra* note 6, § 18.03, at 7. Descriptive terms deserve less protection than suggestive terms both because descriptive terms normally do not distinguish among similar products and because such terms "should not be monopolized by a single use." *Id.* The common usage of "cozy warm" and "energy savers" suggests that the terms cannot be used to distinguish 20th Century's clothing. In addition, exclusive use of the term might unfairly "monopolize" common speech.

All the foregoing assumes, of course, that the phrase "Cozy Warm ENERGY-SAVERS" in connection with women's flannel pajamas has not acquired secondary meaning. As noted above, the mark still deserves protection if plaintiffs can show "that the primary significance of the term in the minds of the consuming public is not the product but the producer." *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 118 (1938). The record shows that 20th Century entered proof of secondary meaning at trial. Thus, appellant argues that even if we hold that the mark is descriptive we should find that the mark deserves protection because it has acquired secondary meaning. We remand, however, for an assessment of the evidence of secondary meaning by the district court. We note first that "proof of secondary meaning entails vigorous evidentiary requirements," *Ralston Purina Co.* v. *Thomas J. Lipton, Inc.*, 341 F. Supp. 129, 134 (S.D.N.Y. 1972), and that 20th Century has the burden of showing that the term had acquired secondary meaning in the summer of 1981 when Sanmark first began using its phrase on hang tags, *see Saratoga Vichy Spring Co., Inc.* v. *Lehman*, 625 F.2d 1037, 1043 (2d Cir. 1980); *Le Sportsac, Inc.* v. *Dockside Research, Inc.*, 478 F. Supp. 602, 608 (S.D.N.Y. 1979).[9]

In assessing whether 20th Century has satisfied this heavy burden, there are many forms of evidence that help show secondary meaning, including how long the mark has been used, *see Saratoga Vichy Spring Co.* v. *Lehman*, 491 F. Supp. 141, 150 (N.D.N.Y. 1979), *aff'd*, 625 F.2d 1037 (2d Cir. 1980), whether consumer studies, *see Grotrian, Helfferich, Shultz, TH. Steinweg Nachf.* v. *Steinway and Sons*, 523 F.2d 1331, 1340-41 (2d Cir. 1975), or successful advertising, *see McGregor-Doniger Inc.* v. *Drizzle, Inc.*, 599 F.2d at 1132, 1133 n.4, show that the purchasing public associated the phrase with 20th Century's goods;[10] or even whether Sanmark intentionally copied the term, *see Mastercrafters Clock & Radio Co.* v. *Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464, 467 (2d Cir.), *cert. denied*, 350 U.S. 832 (1955); 3 R. Callmann, *supra* note 6, § 19.27, at 93. *See also RJR Foods* v. *Whiterock Corp.*, 603 F.2d 1058, 1060 (2d Cir. 1979).

In sum, "Cozy Warm ENERGY-SAVERS" does not deserve the protection accorded to suggestive marks. Nevertheless, if the district court finds that the ter[illegible] has

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[9] Proof of a product's popularity should not be equated with proof of secondary meaning. *See Saratoga Vichy*, 491 F. Supp. at 151.

[10] We do not interpret the district court's findings with respect to the issue of likelihood of confusion as to source as including an implicit finding of secondary meaning. While confusion as to source is the fundamental inquiry in any infringement action, the elements that plaintiff must prove in a suit involving a suggestive term differ from those in a suit over a descriptive term. Proof of confusion as to source can be divided into two more specific showings: whether the public is unlikely to distinguish the source of the allegedly infringing product from that of the infringed product and whether the public makes the connection between the trademark and the plaintiff-source. The connection between mark and source is assumed in the case of a suggestive or arbitrary term. Secondary meaning performs the role of establishing that connection here, in the case of a descriptive term.

acquired secondary meaning, the court can, of course, go on to find likelihood of confusion as to source, and thus trademark infringement.

B. *Trade Dress; Federal and State Law*

At common law, of course, trademark or tradename infringement was only one form of tort encompassed under the concept of unfair competition, *see American Steel Foundries* v. *Robertson*, 269 U.S. 372, 380 (1926), a concept that also included "passing off one's goods as those of another" and imitation of the trade dress of another.[11]

Under the common law one who marketed goods, the physical appearance of which was a copy or imitation of the physical appearance of the goods, labels, wrappers, containers, styles or designs of another, appropriated the other's "trade dress" at least where the copied or imitated features had acquired generally in the market a special significance or secondary meaning identifying the other's goods; there was a likelihood of confusion among prospective purchasers; and the imitated features were not "functional." Restatement of Torts §§ 741, 742 (1938); *Wirtz* v. *Eagle Bottling Co.*, 50 N.J. Eq. 164, 166, 24 A. 658, 659 (1892). It will be recalled that the district court in this case found that Sanmark's trade dress (consisting of the various colored tags) was "imitative" and "compound[ed]" the confusion caused by imitation of the registered mark. It also found that 20th Century's "distinctive" packaging was known to Sanmark before Sanmark's use and that Sanmark's trade dress "mirror[ed]" 20th Century's. Thus, the district court

[11] The Restatement of Torts referred to these combined doctrines as the tort of "confusion of source." Restatement of Torts §§ 711-56 (1938).

found that Sanmark "adopted its mark and trade dress for no other reason than to obtain a free ride on the good reputation of its successful competitor." *Spring Mills, Inc.* v. *Ultracashmere House, Ltd.*, 689 F.2d 1127, 1134 (2d Cir. 1982). These findings were based on two preliminary findings—first, that "a cursory visual examination of the packaged product, with their tags and inserts intact, makes clear that even a prudent purchaser would have difficulty in distinguishing the source of the two products"; and, second, that because these were competitors selling identical products in the same market, the court could infer Sanmark's actual knowledge of the trademark and "distinctive packaging prior to its use of the mark." Were this all there was to the case, affirmance on the basis that Sanmark was engaged in the tort of unfair competition would be possible. This is true even though the court linked the trademark and the trade dress phases of the case and we are reversing the former, especially since the district court found not only that the mass merchandising marketing environment in which these products were sold made distinctiveness in trade dress crucial, but that 20th Century and Sanmark were selling similar products to the same customers. Unfortunately, neither the facts nor the law are so clear as to permit such a disposition of the case.

As to the facts, we have the finding that Sanmark's "Sheila Anne" tag in "bold blue letters," affixed to the collar of the garment meant that Sanmark had clearly marked its product as a "Sheila Anne" design. Thus, even though "an impression has been created which makes it difficult for a prudent consumer to distinguish the two products," the court held that there was no false representation of origin warranting application of section 43 of the Lanham Trade-Mark Act, 15 U.S.C. § 1125.

Yet, section 43(a) is not limited in scope to providing protection only against verbal misrepresentations or deceptions.[12] Instead, section 43(a) has been broadly construed to provide protection against deceptive marking, packaging, and advertising of goods and services in commerce. *Keebler Co.* v. *Rovira Biscuit Corp.*, 624 F.2d 366, 372 (1st Cir. 1980).[13] To maintain an action under section 43(a) for trade dress infringement, a plaintiff must allege that a competitor's product design or packaging is likely to confuse consumers as to the product source—such a design or packaging falsely designates its origin. *See Warner Bros.* v. *Gay Toys, Inc.*, 724 F.2d 327, 329 (2d Cir. 1983); *Keebler Co.*, 624 F.2d at 378. The district court's decision that there was no false representation of origin warranting application of section 43(a) is thus inconsistent with its finding "that an appreciable number of 'ordinarily prudent purchasers' [citation omitted] are likely to be confused or misled into believing that defendant's garments are plaintiff's."

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[12] *See, e.g., Warner Bros.* v. *Gay Toys, Inc.*, 724 F.2d 327, 329 (2d Cir. 1983) (imitative use of Confederate flag and number on toy car actionable under § 43(a)); *Harlequin Enter.* v. *Gulf & Western Corp.*, 644 F.2d 946, 948 (2d Cir. 1981) (imitative book cover actionable under § 43(a)).

[13] The underlying purpose of § 43(a) is to protect both consumers and competitors from a wide variety of misrepresentations of products and service, implicating "a broad spectrum of marks, symbols, design elements and characters." *Warner Bros.* v. *Gay Toys, Inc.*, 658 F.2d 76, 78 (2d Cir. 1981); *Invicta Plastics (USA) Ltd.* v. *Mego Corp.*, 523 F. Supp. 619, 623 (S.D.N.Y. 1981). Intuitively, it would be arbitrary and adverse to the purpose underlying § 43(a) to foreclose federal protection against a false designation of origin simply because the misrepresentation is effected through confusingly imitative product packaging. As one commentator has said, "[t]he common element in all violations of § 43(a) is that goods or services have been deceptively represented to the consumer." Note, *The Problem of Functional Features: Trade Dress Infringement Under Section 43(a) of the Lanham Act*, 82 Colum. L. Rev. 77, 79 (1982).

Either the packaging was such as to confuse customers as to its source or it was not.

Were section 43(a) the only law on which 20th Century's claim of trade dress infringement rested, a resolution of the paradox just discussed would be unnecessary, because so far as we can see 20th Century abandoned in this court any claim under section 43(a).[14] But the paradox persists because the district court did not reach the question of how the resolution of 20th Century's trade dress infringement claims would fare based upon New York law.[15] This trade dress issue, like

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[14] Not only does its brief make no effort to defend the judgment that section 43(a) was violated, but at two places the brief explicitly distinguishes section 43(a) and emphasizes that only section 32(1) is "applicable" to the appeal. *See Klctschka* v. *Driver*, 411 F.2d 436, 446-47 (2d Cir. 1969). We will assume that 20th Century could have sought to defend its judgment on the basis of section 43(a) without the necessity of a cross-appeal, *see United States* v. *American Ry. Express Co.*, 165 U.S. 425, 435-36 (1924), though a cross-appeal would be required to whatever extent appellate might have wished to pursue additional relief under section 43(a) than it secured in the judgment.

[15] *Sears Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964), and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), held that a state may not, through its law banning unfair competition, undermine federal patent rights by prohibiting the copying of an article that is protected by neither a federal patent nor a federal copyright. We held, however, in *Dallas Cowboys Cheerleaders, Inc.* v. *Pussycat Cinema, Ltd.*, 604 F.2d 200, 204 (2d Cir. 1979), that the monopoly rationale of *Sears-Compco* does not apply in a trademark infringement action, where the plaintiff does not assert exclusive rights to the sale of a product but merely to a mark indicating its origin or sponsorship. And in *Keebler Co.*, 624 F.2d at 372-73, Judge Coffin's opinion for the court held that the protection afforded by section 43(a) is "cumulative of, and does not preempt, the broader consumer-oriented remedies provided by the common law of unfair competition"; thus section 43(a) created a new federal statutory tort and made pre-Lanham Act decisions based on the federal common law of unfair competition persuasive, even if not controlling. On this basis we see no reason for the district court not to apply the New York state law of unfair competition.

the trademark infringement issue, must therefore be remanded to the district court, where at least three preliminary issues must be addressed prior to its resolution under New York law. First, the court must determine whether, under New York law, a finding of secondary meaning is essential to successful maintenance of an action for trade dress infringement.[16] Second, should the district court find that proof of secondary meaning is required under New York law for protection against trade dress infringement, the court must then determine the legal relevance of its finding that Sanmark consciously intended to copy 20th Century's trademark and trade dress—in effect, the court must decide whether and to what extent Sanmark's conscious intent to confuse is probative of 20th Century's claim that its trade dress had acquired secondary meaning. Last, although most courts have found, under both section 43(a) and New York unfair competition law, that only proof of a likelihood of confusion is required to obtain injunctive relief for unfair competition, some courts have held that proof of actual confusion is required to obtain a damages remedy. *See, e.g., Warner Bros.* v. *Gay Toys, Inc.*, 658 F.2d 76, 79 (2d Cir. 1981); *Skil Corp.* v. *Rockwell International Corp.*, 375 F. Supp. 777, 783 (N.D. Ill. 1974). The district court found, on a "cursory visual examination," that "even a prudent purchaser would have diffi-

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[16] It appears that it may not be. *See Avon Periodicals, Inc.* v. *Ziff-Davis Pub. Co.*, 282 A.D. 200, 201, 122 N.Y.S.2d 92, 93 (1953), aff'g 27 Misc. 2d 160, 113 N.Y.S. 737 (Sup. Ct. 1952); *see also Pharmaceuticals, Inc.* v. *United Whelan Corp.*, 22 Misc. 2d 532, 534, 197 N.Y.S.2d 22, 25 (Sup. Ct. 1959) (proper test to determine whether New York unfair competition law violated is whether public likely to be confused by trade dress features taken as a whole). *But cf. International Latex Corp.* v. *Flexees, Inc.*, 281 A.D. 363, 366, 119 N.Y.S.2d 409, 412 (1953) (nonunique packaging not protected from imitation).

culty in distinguishing the source of the two products." If the court finds that proof of actual confusion is required under New York law for 20th Century to obtain a disgorgement of Sanmark's profits, the court will then have to determine whether or not actual confusion occurred.[17]

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[17] Sanmark has argued at length that the use of a tape recording to refresh the witness Seymour Sunshine's recollection, even though the recording was made without Sunshine's knowledge or consent, was erroneous. The argument is that 20th Century's attorney violated legal ethics when he surreptitiously recorded a conversation with Sunshine. *Model Code of Professional Responsibility* DR 1-102(A)(4), 7-102(A)(7), (8) (1981); *Model Rules of Professional Conduct* Rule 8.4(a), (c) (1983); ABA Comm. on Ethics and Professional Responsibility, Formal Op. 337 (1974). However, the use of unethically obtained evidence merely to refresh recollection is not prohibited by the Federal Rules of Evidence.

Permitting the use of unethically obtained evidence to refresh recollection not only avoids miring the court in side issues, *cf.* 8 Wigmore § 2183 (McNaughton rev. 1961), but also furthers one of the trial's primary purposes, to uncover the truth: the canons of ethics do not determine what will jog a witness's memory. Even evidence obtained in violation of a defendant's *Miranda* rights has been used to refresh recollection. *United States* v. *Baratta*, 397 F.2d 215, 221-22 (2d Cir.), *cert. denied*, 393 U.S. 939 (1968). The court must ensure, however, that the witness actually has a present recollection and that otherwise inadmissible evidence does not slip in inadvertently for its truth. The courts and Congress have devised two safeguards for this purpose. *See* J. Weinstein & M. Berger, 3 *Weinstein's Evidence* 612-12 to -13 (1982). First, the trial judge has broad discretion to organize or limit the use of evidence to refresh recollection. *United States* v. *Baratta*, *supra*, at 222; J. Weinstein & M. Berger, *supra*; 3 J. Wigmore, *Evidence* § 765 (Chadbourn rev. 1970). Second, Rule 612 of the Federal Rules of Evidence gives opposing counsel the right to inspect at trial whatever is used to refresh recollection, to cross-examine the witness on it, and to introduce relevant portions into evidence.

On retrial, the district judge in this case should be careful to separate what the witness remembered from what was played on the tape. Reliance on the tape recording without having the witness repeat in his own words what he remembered, although the witness repeatedly disclaimed remembering details of the

[Footnote continued on following page]

Judgment reversed and remanded for further proceedings in accordance with this opinion.

[Footnote continued from previous page]

earlier conversation, is not proper. Even when a witness appears hostile and evasive, the witness's bare assertions that he "suppose[d]" the tape refreshed his recollection, or that he "may have said" something on the tape, do not suffice to bring in all of the recorded excerpts for their truth.

While the apparent misuse of the tape to substitute for the witness's own recollection may not amount to reversible error, because it does not affect any party's "substantial right," *see* Fed. R. Evid. 103(a); *De Laval Turbine, Inc.* v. *West India Industries, Inc.*, 502 F.2d 259, 263-64 (3d Cir. 1974), the district court should permit opposing counsel to examine the parts of the tape not used to refresh the witness's memory. While Rule 612 only requires that the documents actually used to refresh recollection and relevant to the witness's testimony be turned over to the adverse party, *see United States* v. *Wright*, 489 F.2d 1181, 1189 (D.C. Cir. 1973), and the rule of completeness codified in Rule 106 only applies when the writing or recorded statement is "introduced" into evidence, we think that in fairness and under the spirit of the Rules the better practice is to permit opposing counsel to examine a tape where it has been unethically obtained.

In addition, both 20th Century and Sanmark argue that the district court erred in its assessment of attorney's fees under 15 U.S.C. § 1117. But because we remand for further proceeding concerning liability, it is premature to review these attorney's fees issues.

APPENDIX B
DECISION OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

United States Court of Appeals
for the
Second Circuit

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the eighteen day of October one thousand nine hundred and eighty-four.

Present:

HON. JAMES L. OAKES

HON. JON O. NEWMAN

HON. RALPH K. WINTER

Circuit Judges,

20TH CENTURY WEAR, INC.,

Appellee-Cross-Appellant,

v. 84-7108, 84-7112

SANMARK-STARDUST INC. and
DOMINO INDUSTRIES, INC.,

Appellants-Cross-Appellees.

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Southern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged, and decreed that the Judgment of said District Court be and it hereby is reversed and the action be and it hereby is remanded to the said district court for further proceedings in accordance with the opinion of this Court.

Elaine B. Goldsmith,
Clerk

Arthur Heller
Deputy Clerk

A TRUE COPY
ELAINE B. GOLDSMITH, Clerk

By _____
Chief Deputy Clerk

THIS DOCUMENT WAS ENTERED ON THE DOCKET ON 11-21-84.

APPENDIX C
DECISION OF UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

United States District Court
Southern District of New York

Opinion No. 55631
81 Civ. 6359 (RLC)

20TH CENTURY WEAR, INC.,

Plaintiff,

against

SANMARK-STARDUST, INC. and
DOMINO INDUSTRIES, INC.,

Defendants.

APPEARANCES

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Of Counsel

CARTER, *District Judge*

In this action for trademark infringement, plaintiff, having secured a preliminary injunction enjoining defendant, Sanmark-Stardust, Inc. ("Sanmark"), from using its mark and packaging, seeks permanent injunctive relief, damages in the form of defendants' profits and commissions from the sale of the infringing goods and an award of attorney's fees. After a hearing, the parties submitted memoranda on the damage issues and the award of attorney's fees.

Plaintiff, 20th Century Wear, Inc. ("20th Century"), is a New York corporation, with its principal place of business at 149 Madison Avenue, New York, New York, Defendant, Sanmark, is also a New York corporation, with its principal place of business at 145 Madison Avenue, New York, New York, a building next to that in which plaintiff is housed. Defendant, Domino Industries ("Domino"), is a New York corporation with its principal place of business at 1350 Broadway, New York, New York. Both 20th Century and Sanmark are wholesalers engaged in the business of importing and selling women's pajamas and nightgowns to retail merchants, department stores, discount houses, and various merchandizers for resale to the general public. Plaintiff deals only in women's nightgowns and pajamas but for Sanmark, a large wholesaler, women's pajamas and nightgowns constitute only a small part of its business. Domino acted as Sanmark's selling arm in respect of the infringing goods.

In August, 1977, plaintiff began to use the trademark Cozy Warm Energy Savers in interstate commerce in connection with the promotion and sale of its pajamas and nightgowns. That use has continued to the present. The Mark was registered with the United States Patent and Trademark Office on or about March 17, 1981. Plaintiff's trade dress or packaging consists of a transparent cellophane wrapping into which the garment and three tags are inserted. Sewed in the collar of the garment is a tag bearing plaintiff's name in blue, below that appears the phrase "guaranteed washable" in red and below that "100% cotton" in blue. One of the inserts is a picture of a woman with both hands on hips or one hand on a hip modeling the packaged garment. This insert contains black printing describing the

garment and the slogan "For the Style of Your Life" printed in red. A second insert has a red background and white border. Printed on this insert in bold print is "Cozy Warm Energy Savers" in white with the copyright notice. The third insert contains print stating "100% Natural Fiber as seen on Today's Show," which is underlined. Below the line appears the plaintiff's name in bold print.

Beginning in July, 1981 and continuing until at least October 19, 1981, Sanmark sold women's pajamas and night gowns under the Sheila Anne label and used the mark Cozy Warm Conserves Energy in connection therewith. Its Sheila Anne products, like plaintiff's, are packaged in transparent cellophane wrapping. In the collar of the garment is a tag with the name Sheila Anne in bold blue letters; underneath that in smaller lettering in red is the phrase "preshrunk" and under that appears "guaranteed washable" in blue and under that in red "100% cotton" with size indicated. Again like plaintiff's, the package contains three inserts — one depicts a woman, with hands on hips, modeling the garment, and contains bold printing describing the garment. A second insert with a white border and blue background contains the phrase "Cozy Warm" in red under which in white is the phrase "Conserves Energy" which is underscored with a red line. The third insert is in white and black and states "Cotton made of Natural Fiber". Sanmark's name does not appear anywhere in the packaging.

Both in 1980 and 1981 plaintiff sold, in the distinctive packaging or trade dress described, women's pajamas and nightgowns bearing its trademark Cozy Warm Energy Savers. From at least July 1, 1981 through October 31, 1981, Sanmark sold women's pajamas and nightgowns bearing the mark Cozy Warm Conserves Energy in the packaging or trade dress to its customers to whom plaintiff customarily sells. In 1981 as a result of defendants' infringing action, plaintiff's sales fell off. Sanmark's mark and packaging in connection with its promotion and sale of its Sheila Anne pajamas and nightgowns are confusingly similar to plaintiff's trade dress and mark. Plaintiff's use of its mark

and trade dress predates Sanmark's use of its confusingly similar mark and trade dress.

Taking the period July 1, 1981 to December 31, 1981, Sanmark's total gross sales were $1,530,312.19 for 31,399 dozen infringing garments. Sanmark bought 31,743 dozen. Its direct cost for 31,743 dozen, including the price of the garment, cost of letters of credit, duty, ocean freight, custom broker charges and shipping came to $1,252,975.47. The cost per dozen was $39.4725 bringing the total cost for the infringing sales to $1,239,429.70, leaving a profit of $290,882.49.

Taking the period of July 1, 1981 to October 31, 1981, Sanmark's gross sales of the infringing garments were $1,349,876.12 with costs at $1,096,893.60, leaving a profit of $252,982.52.

Domino was paid commissions of $81,718.67 for sales of these garments.

Conclusions of Law

Trademark rights are established through use. *Time Mechanisms, Inc. v. Qonaar Corp.*, 422 F. Supp. 905 (D.N.J. 1976). Priority of use determines seniority in entitlement to use of a trademark. *WGBH Educational Foundation, Inc. v. Penthouse Int'l Ltd.*, 453 F. Supp. 1347, 1350 (S.D.N.Y. 1978) (Carter, J.), *aff'd mem. opinion*, 598 F.2d 610 (2d Cir. 1979). Moreover, ownership of a registered trademark creates a presumption of validity, *National Auto Club v. National Auto Club, Inc.*, 365 F. Supp. 879, 882 (S.D.N.Y. 1973) (Carter, J.), *aff'd mem. opinion*, 502 F.2d 1162 (2d Cir. 1974), entitling the owner to exclusive use of the mark in commerce, *see Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976), and the protection afforded by the Lanham Act absent a rebuttal of the presumption of validity by evidentiary proof. Plaintiff is both the prior user and owner of the registered trademark in question.

The legal protection afforded a trademark depends upon its strength. Generic and descriptive marks are generally entitled to little protection unless the mark has acquired a secondary meaning. A suggestive, arbitrary or fanciful mark is generally accorded protection even without regard to secondary meaning. *Abercrombie & Fitch Co. v. Hunting World, supra*, 537 F. Supp. at 10-11. A mark may be classified as suggestive "if it requires imagination, thought and perception to reach a conclusion as to the nature of the goods." *Stix Products, Inc. v. United Merchants & Manufacturers, Inc.*, 295 F. Supp. 479, 488 (S.D.N.Y. 1968) (Weinfeld, J.); *Dreyfus Fund, Inc. v. Royal Bank of Canada*, 525 F. Supp. 1108, 1112-13 (S.D.N.Y. 1981) (Sofaer, J.)(Plaintiff, a money management fund, used lions as its trademark, and the mark was held to be suggestive of "power, control, leadership and similar qualities, but does not immediately evoke thoughts of money management.")

Here plaintiff's Cozy Warm Energy Savers trademark does not bring women's pajamas and nightgowns to mind, and it requires "imaginative thought and perception," *Stix Products, Inc. v. United Merchants and Manufacturers, Inc., supra* at 488. to relate the mark to women's sleepwear, Accordingly, plaintiff's suggestive trademark is entitled to protection without regard to the question of secondary meaning. See Abercrombie & Fitch Co. v. Hunting World, Inc., supra, 537 F.2d at 11.

A second comer is required "to so name and dress his product as to avoid all likelihood of consumers confusing it with the product of the first comer." *Harold F. Ritchie, Inc. v. Chesebrough-Ponds, Inc.*, 281 F.2d 755, 758 (2d Cir. 1960). The late comer may not use a trademark or trade dress in connection with his product confusingly similar to that of the first user, thereby unfairly trading upon the good will the initial user had developed over time. *Vuitton et Fils, S.A. v. Crown Handbags*, 492 F. Supp. 1071, 1075 (S.D.N.Y. 1979) (Brieant, J.), *aff'd*, 622 F.2d 577 (2d Cir. 1980).

There is great similarity between the defendant, Sanmark's, trademark and trade dress and the plaintiff's. The similarity

in the trademark and trade dress of the two products is likely to produce consumer confusion especially in the mass merchandising market in which the products are sold. In this marketing environment, distinctiveness in trade dress is a crucial goal. *Scholl, Inc. v. Tops E.H.R. Corp.*, 185 U.S.P.Q. 754, 758 (E.D.N.Y. 1975). Particularly in such a market place, the yardstick for determining the likelihood of "consumer confusion is not whether the products can be differentiated when subjected to a side by side comparison, but whether they create the same overall impression." *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1060 (2d Cir. 1979). If in appearance the products are so similar that the average consumer will be confused as to the source of the products, the late comer has violated the first user's rights. *Id.* A cursory visual examination of the packaged products, with their tags and inserts intact, makes clear that even a prudent purchaser would have difficulty in distinguishing the source of the two products. I am forced to conclude that an appreciable number of "ordinarily prudent purchasers[,]" *Mushroom Makers Inc. v. R.G. Barry Corp.*, 441 F. Supp. 1220 (S.D.N.Y. 1977) (Weinfeld, J.), *aff'd* 580 F.2d 44 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979), are likely to be confused or misled into believing that defendant's garments are plaintiff's and will buy defendant's sleepwear believing they were purchasing plaintiff's garments.

Sanmark's Cozy Warm Conserves Energy is confusingly similar to plaintiff's registered mark, Cozy Warm Energy Savers, and Sanmark's imitative trade dress compounds the confusion. Since 20th Century and Sanmark are direct competitors and sell identical products in the same market place and to the same merchants, the Court must infer that Sanmark had actual knowledge of plaintiff's trademark and distinctive packaging prior to its use of the mark, Cozy Warm Conserves Energy and a trade dress mirroring that of the plaintiff. The conclusion, therefore, is inescapable that Sanmark "adopted [its] mark and trade dress for no other reason than to obtain a free ride on the good reputation of [its] successful competitor." *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1134 (2d Cir. 1982). Sanmark has infringed plaintiff's trademark and is,

therefore, liable under Section 32 of the Trademark Act, 15 U.S.C. § 1114(1). Domino is also liable for trademark infringement for selling Sanmark's infringing goods.

Plaintiff alleges violations of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125, on ground of false designation of origin. That claim cannot stand. Sanmark has clearly marked its product as a Sheila Anne design. Although an impression has been created which makes it difficult for a prudent consumer to distinguish the two products, there is no false representation of origin warranting application of Section 43 of the Lanham Act.

Plaintiff is entitled to permanent relief enjoining any further infringement of its trademark and barring use of its distinctive trade dress. Plaintiff is also entitled to recover defendants' profits. 15 U.S.C. §§ 1114(1)-1117. *RJR Foods Inc. v. White Rock Corp., supra*, 603 F.2d at 1061; *W.E. Bessett Co. v. Revlon, Inc.*, 435 F.2d 656, 664 (2d Cir. 1970); *Marshak v. Green* 505 F.Supp. 1054, 1061 (S.D.N.Y. 1981) (Weinfeld, J.). While it is clear that defendants are guilty of unfair competition under New York law, e.g. *Roy Export Co. Establishment of Vaduz v. Columbia Broadcasting System*, 503 F. Supp. 1137, 1151-52 (S.D.N.Y. 1980) (Lasker, J.), *aff'd*, 672 F.2d 1095 (2d Cir. 1982), *cert. denied*, 103 S.Ct. 60 (1982); *Harold F. Ritchie, Inc. v. Chesebrough-Ponds, Inc.*, 281 F.2d 755 (2d Cir. 1960), since plaintiff is afforded complete relief under federal statutes, the violation of New York law adds nothing to plaintiff's entitlement to recovery.

Plaintiff obtained an accounting of defendants' profits, and evidence in that regard was produced at the final hearing. As willful infringers defendants should not be allowed to be unjustly enriched by pocketing the profits gained from selling sleepwear bearing the mark and trade dress confusingly similar to plaintiff's. *W.E. Bassett Co. v. Revlon, Inc., supra*, 435 F.2d at 664.

The period in which defendants made infringing sales is a five month period from June 1, 1981 to October 31, 1981. Plaintiff urges that period should be extended to December 31, 1981, arguing that defendants have not shown that their infringing action ceased in October. Nor has plaintiff established that any infringing sales occurred after October 31, 1981, and it remains plaintiff's burden to establish its damages. Accordingly, the infringing period established extends from June 1, to October 31, 1981. Using that base period, the evidence shows that Sanmark's profits in infringing sales were $252,982.52 and that Domino was paid $81,718.67 in commissions for selling the infringing goods.

Sanmark seeks to deduct from these figures various overhead expenses. This is rejected for two reasons. First, the overhead expenses submitted are for the fiscal year 1980-1981, not for June-October, 1981 and, moreover, the figures are inaccurate. Secondly, the infringing gross sales of $1.3 million constituted a small fraction of defendants' total gross sales of $27,813,025 for the fiscal year in question. Under the circumstances, deductions for overhead expenses are disallowed. *Maltina Corp. v. Carey Bottling Co.*, 613 F.2d 582, 586 (5th Cir. 1980). In addition, Sanmark has not demonstrated that this infringing activity had the effect of adding to its overhead costs. Therefore, there is no basis for proportional allocation of these costs to the cost of the infringing products. *Id. Elnicky Enterprises, Inc. v. Spotlight Presents, Inc.*, 213 U.S.P.Q. 955, 956 (S.D.N.Y. 1981) (Brieant, J.); *Invicta Plastics (USA) Ltd. v. Mego Corp.*, 523 F. Supp. 619 (S.D.N.Y. 1981) (Motley, J.). Finally, where doubts exist, the risks of uncertainty as to costs must fall on the defendant, not the plaintiff. *Deering, Miliken & Co. v. Gilbert*, 269 F.2d 191, 194 (2d Cir. 1959). Sanmark has failed to establish that any other costs purportedly incurred warrant deductions from its profits.

Plaintiff, therefore, is entitled to recover from Sanmark $252,982.52 which includes $81,718.67 paid in commissions to Domino. Plaintiff is awarded judgment of $81,718.67 against Domino. Since the latter figure representing commissions is

included in the award against Sanmark, to the extent that plaintiff recovers any or all of the judgment awarded against Domino, its judgment as to Sanmark will be reduced accordingly. In short, plaintiff may not recover more than a total of $252,982.52 from both defendants. Plaintiff is entitled to prejudgment interest at 9% from October 19, 1981.

Plaintiff has presented data seeking an award of attorney's fees of $117,939.48. I believe such an award would be grossly excessive in view of the nature and circumstances of this case. The case is, in truth, a run of the mill trademark infringement action, and there were no really difficult issues of law to be researched. Indeed, after the plaintiff discovered the infringing action, its investigation of the facts presented little difficulty since the market in which the goods were sold consisted largely of mass merchanding outlets with which plaintiff was fully familiar. Requiring defendants to disgorge their profits would be sufficient except for the fact that Sanmark, by its obstructionist and stonewall tactics, has undoubtedly required counsel for plaintiff to devote more time to this case than would ordinarily be required. This action, therefore, warrants treating this case as an exceptional one and authorizing award of reasonable attorney's fees. 15 U.S.C. § 1117. *Taussig v. Wellington Equity Fund*, 187 F. Supp. 179 (D. Del. 1960), *aff'd*, 313 F.2d 472 (3d Cir.), *cert. denied*, 374 U.S. 806 (1963). Accordingly, an award of $25,000 in attorney's fees is allowed as a sanction against Sanmark for its wasteful and dilatory tactics in defense of this litigation.

IT IS SO ORDERED.

Dated: New York, New York
January 11, 1984

ROBERT L. CARTER
U.S.D.J.

APPENDIX D

TRADEMARK REGISTRATION

Int. Cl.: 25

Prior U.S. Cl.: 39

Reg. No. 1,148,448

United States Patent and Trademark Office Registered Mar. 17, 1981

TRADEMARK
Principal Register

Cozy Warm
ENERGY-SAVERS

20th Century Wear, Inc. (New York corporation)
149 Madison Ave.
New York, N.Y. 10016

For: PAJAMAS, NIGHTGOWNS, DUSTERS AND LOUNGEWEAR, in CLASS 25 (U.S. Cl. 39).
First use Jul. 1977; in commerce Aug. 1977.
No claim is made to exclusive use of "Cozy" and "Warm" apart from the mark as shown.

Ser. No. 172,024, filed May 26, 1978.

J.C. DEMOS, Deputy Director

JEFFREY H. KAUFMAN, Examiner